

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** May 23, 2008  
**POSITION:** Oppose

**BILL NUMBER:** SB 1240  
**AUTHOR:** C. Kehoe

### **BILL SUMMARY:** Air Pollution: Low-Carbon Fuel Standards

This bill would require the Air Resources Board (Air Board) to implement a low-carbon fuel standard by January 1, 2010, that achieves reductions in the carbon intensity of transportation fuels, specifically a reduction of 10 percent by 2020, if technologically feasible and cost effective. The standard would apply to all refiners, blenders, producers, and importers of transportation fuels.

### **FISCAL SUMMARY**

The Air Board states that if the 2008-09 Governor's Budget proposal for low-carbon fuel standard development is approved as part of the 2008 Budget Act, this bill's costs should be minor and absorbable.

No reimbursement would be required by this act because the only costs that might be incurred by a local agency or school district would be incurred because the act would create a new crime or infraction, eliminate a crime or infraction, change the penalty for a crime or infraction, or change the definition of a crime within the meaning of the California Constitution. Section 3 of the bill contains an appropriate "crimes and infractions" mandated-cost disclaimer.

### **COMMENTS**

The Department of Finance is opposed to this bill because it is unnecessary. Both the Air Board and the Energy Commission are working together to develop a low-carbon fuel standard (LCFS), pursuant to Executive Order S-01-07. The 2008-09 Governor's Budget proposes 20 positions and \$4.6 million for contracts, lab supplies and equipment to implement and support the LCFS. The LCFS will require fuel providers (refiners, importers, and blenders) to sell cleaner fuels in California. The providers will have to track the global warming intensity (GWI) of the fuels and reduce this value over time. The standard will be measured on a lifecycle basis where all activities included in producing, transporting, storing, and using the fuel are considered.

This bill would require the Air Board to implement a low-carbon fuel standard by January 1, 2010, that reduces the carbon intensity of transportation fuels, specifically a reduction of 10 percent by 2020, if technologically feasible and cost effective, which would apply to refiners, blenders, producers, and importers. The bill would also require the Air Board to ensure that the standard maintains or improves upon already achieved emissions reductions and air quality benefits. It also would require the standard to be consistent with environmental justice goals, account for greenhouse gas emissions on a full fuel-cycle basis, and avoid or mitigate environmental impacts on species, habitat, ecosystems, land use, biodiversity, air quality, water supply and quality, and access to, and production of, food resulting from sourcing and producing fuels used to comply with the low-carbon fuel standard.

This bill also would require the Air Board to:

- Update the regulations adopted to meet the fuel standard as needed.
- Coordinate preparation of a multimedia evaluation for fuels used to comply with the standard.
- Develop reporting requirements by January 1, 2011, for persons or entities subject to the standard.

Analyst/Principal (0623) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**BILL ANALYSIS/ENROLLED BILL REPORT--(2)  
AUTHOR AMENDMENT DATE**

**Form DF-43**  
**BILL NUMBER**

C. Kehoe

May 23, 2008

SB 1240

	SO	(Fiscal Impact by Fiscal Year)							
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	Code
3900/Air Res Bd	SO	No		----- See Fiscal Summary -----					0044
<u>Fund Code</u>	<u>Title</u>								
0044	Motor Vehicle Account, STF								